

April 20, 2006

Ms. Diane F. Boyer-Vine
Legislative Counsel
State Capitol, Room 3021
Sacramento, CA 95814

Dear Ms. Boyer-Vine:

Pursuant to the requirements of Education Code Section 94995(a)(b), the Department of Consumer Affairs (Department) is submitting the Bureau for Private Postsecondary and Vocational Education's (BPPVE) Annual Report to the Legislature and California Postsecondary Education Commission for Fiscal Year 2004-2005.

In keeping with our commitment to encourage conservation, we have posted this report to our website. The report can be viewed at <http://www.dca.ca.gov/reports/reports.htm>. The report is entitled "Bureau for Private Postsecondary and Vocational Education Annual Report to the Legislature and California Postsecondary Education Commission." The report also can be viewed via direct link at http://www.dca.ca.gov/reports/04_05_bppve_annrpt.pdf.

If you wish to receive a printed copy of this report, please contact Jeanne Ireland with BPPVE at (916) 574-7727.

If you have any questions or require further assistance regarding this report, please contact Laura Zuniga, Assistant Deputy Director for the Department's Division of Legislation and Regulatory Review, at (916) 574-7800.

Sincerely,

CHARLENE ZETTEL, Director
Department of Consumer Affairs

cc: See attached distribution list
Kristin Triepke, Deputy Director of Legislation and Regulatory Review

Bureau for Private Postsecondary Vocational Education Annual Report Distribution List

ORIGINAL LETTER TO EACH OF THE FOLLOWING:

Ms. Diane F. Boyer-Vine
Legislative Counsel
State Capitol, Room 3021, B-30
Sacramento, CA 95814
(1 original)

Mr. Gregory Palmer Schmidt
Secretary of the Senate
State Capitol, Room 3044, E-22
Sacramento, CA 95814
(1 original)

Mr. E. Dotson Wilson
Chief Clerk of the Assembly
State Capitol, Room 3196, E-24
Sacramento, CA 95814
(1 original)

Mr. Murray J. Haberman, Executive Director
California Postsecondary Education Commission
770 L Street, Suite 1160, D-18
Sacramento, CA 95814
(1 original)

COPY OF LEGISLATIVE COUNSEL'S LETTER TO EACH OF THE FOLLOWING:

Richard Costigan, Legislative Secretary
Office of the Governor
State Capitol, First Floor, E-15
Sacramento, CA 95814
(1 copy)

Happy Chastain, Deputy Secretary-Legislation
State and Consumer Services Agency
915 Capitol Mall, Room 200, C-14
Sacramento, CA 95814
(1 copy)

Jim Tilton, Program Budget Manager
Department of Finance
915 L Street, A-15
Sacramento, CA 95814
(1 copy)

Jeannie Oropeza, Program Budget Manager
Department of Finance
915 L Street, A-15
Sacramento, CA 95814
(1 copy)

Laura Zuniga, Assistant Deputy Director-Legislation
Department of Consumer Affairs
1625 North Market Blvd., Suite S-204, B-03
Sacramento, CA 95834
(1 copy)

Bill Young, Budget Officer
Office of Administrative Services
1625 North Market Blvd., Suite S-103, B-03
Sacramento, CA 95834
(1 copy)

Office of Legislative Counsel
Attention: Indexing Division
925 L Street, Suite 1150, B-30
Sacramento, CA 95814
(1 copy)

California State Library
Government Publications Section
914 Capitol Mall, E-29
Sacramento, CA 95814
(2 copies)

Sherry Mehl, Chief Deputy Director
Department of Consumer Affairs
1625 North Market Blvd., Suite S-308, B-03
Sacramento, CA 95834
(1 copy)

Originating Office

LEGISLATURE--REVISED 4/14/2006

**Bureau for Private Postsecondary and Vocational Education
Annual Report to the Legislature and
California Postsecondary Education Commission
Fiscal Year 2004-2005**

*"To protect and serve the needs of students
attending private postsecondary educational institutions."*



Arnold Schwarzenegger, Governor
State of California

Rosario Marin, Secretary
State and Consumer Services Agency

Charlene Zettel, Director
Department of Consumer Affairs

Barbara Ward, Chief
Bureau for Private Postsecondary and Vocational Education

**Bureau for Private Postsecondary and Vocational Education
Annual Report to the Legislature and
California Postsecondary Education Commission
Fiscal Year 2004-2005**

Table of Contents

	<u>Page</u>
Bureau Accomplishments	1
Overview of the Bureau	3
Purpose	3
History	3
Advisory Committee	3
Outreach Activities	3
Internal Performance Tracking	4
Funding	4
Partnerships	5
Bureau Programs and Workload	6
Degree Institutions	6
WASC and Non-WASC Regionally Accredited Institutions	7
Non-Degree (Vocational) Institutions	8
Certificates of Authorization	8
Agency and Agent Permits	9
Registered Institutions	9
Religious Exempt Institutions	9
Title 38 (Montgomery G.I. Bill)	10
Complaint Mediation	11
Enforcement	11
School Annual Reports	12
Student Tuition Recovery Fund (STRF)	13
School Closures	14
Appendix: Bureau for Private Postsecondary and Vocational Education Advisory Committee	15

Bureau Accomplishments

In response to input received from a variety of sources, including an outside monitor's report on Bureau operations, the Legislature has directed its staff to work with the administration to create a new statutory framework relating to private postsecondary education. Despite the inherent challenges in implementing this operationally complex statute, the Bureau accomplished the following during fiscal year 2004-05:

- Updated the Strategic Plan for 2005-06 to provide focus for the Bureau on areas to improve its operations.
- Reestablished an Advisory Committee, representing all parties interested in the private postsecondary and vocational education market to provide feedback on Bureau policies and operations.
- Updated the Bureau's Web site, including posting information on its Advisory Committee, Strategic Plan, and a *Guide to Choosing a Private Postsecondary School* to provide critical information to consumers.
- Completed a nationwide survey of other state private postsecondary regulatory agencies to benchmark our operations in relationship to handling complaints.
- Hosted an off-site Enforcement Summit with Bureau staff, enforcement representatives from DCA and other agencies and developed a new enforcement model, which included a restructured Enforcement Program to promote effective enforcement of Bureau laws and regulations.
- Enhanced the processing of consumer complaints by establishing a pilot with the Department of Consumer Affairs' Complaint Mediation Program, including training staff on specifics related to private postsecondary students and schools.
- Enhanced the Bureau's Schools Automated Information Link (SAIL) database to better track application data and improve customer service.
- Collaborated with accrediting agencies by participating in their on-site reviews of educational institutions to gain processing efficiencies and identify any areas of overlap.
- Processed the following types of licensing applications to enable schools and their employees to provide educational services to students: 312 degree, 681 non-degree, and 103 registered institution applications; 5,244 certificates of authorization (COA) applications; and 1,364 agency permit applications.
- The Bureau, as California's State Approving Agency, approved over 13,000 new veterans programs and courses in the last completed federal fiscal year, exceeding all contracted goals.

- Initiated 24 enforcement investigations and completed 240 site inspections of institutions to verify compliance with the laws that establish minimum standards for educational quality.
- Increased efforts to collect past due fees owed by schools and recovered approximately \$275,000. This not only supports essential Bureau functions, but also demonstrates fairness to schools that pay their fees on time.
- Disbursed \$5,985,000 in Student Tuition Recovery Fund claims to 678 students who lost money they paid for their education as a result of a school closure.

Overview of the Bureau

California's private postsecondary market is estimated to be the largest in the nation. In addition to its general contribution to the various tax bases in California, this market significantly contributes to the state economy by preparing adults for jobs in California. The private postsecondary education sector responds to the needs of business and industry, often filling a need not met by public sector institutions.

Purpose

The Bureau for Private Postsecondary and Vocational Education (Bureau) approves and regulates private postsecondary and vocational institutions in California. Presently, there are approximately 1,500 Bureau-approved private educational institutions operating in California, serving approximately 400,000 students.

History

The Department of Consumer Affairs (DCA) assumed regulatory responsibility for the private postsecondary and vocational education sector on January 1, 1998. Assembly Bill 71 (Chapter 78, Statutes of 1997) provided for the transfer of responsibility from the former Council for Private Postsecondary and Vocational Education (Council), to a new Bureau within DCA.

In 2004, Senate Bill 1544 (Chapter 740) was enacted. Effective January 1, 2005, this legislation extended the Private Postsecondary and Vocational Education Reform Act (Reform Act) an additional two and one-half years, until July 1, 2007. In addition, it required the DCA to hire an independent Administrative and Operations Monitor to review and recommend alternatives for improving the Bureau's regulatory role and programs.

Advisory Committee

The Reform Act requires the establishment of an Advisory Committee to advise the Bureau about its administration, licensing, and enforcement functions. A new Committee was created in January 2005. The Committee includes representatives from various institutions, student advocacy groups, employers, and other governmental agencies that have jurisdiction over private postsecondary and vocational education institutions. The Committee meets quarterly. (See Appendix.)

Outreach Activities

The Bureau's Web site has been a key tool in keeping institutions and students, as well as other interested parties, informed of Bureau activities. This year, with the completion of a new Strategic Plan, the Bureau was able to inform stakeholders of its updated vision and mission, as well as goals and objectives for the coming years.

In addition, the Bureau has posted information regarding the Advisory Committee, including meeting agendas and minutes from past meetings. This promotes open and participative communication with Bureau stakeholders. For students, the Bureau has posted a guide to choosing a private postsecondary school and, with assistance from DCA's Consumer and Community Relations Division, has held seminars at local high schools in an effort to show that private postsecondary schools are a viable option for students. The plan is to have regular, ongoing presentations to high school students. During fiscal year 2004-05, the Bureau also attended 12 outreach and education events. The Bureau also used its Web site to solicit information and feedback on its draft complaint handling regulations.

Internal Performance Tracking

The Bureau, through the strategic planning process, has begun to implement changes that will enhance its ability to track various key business functions. Specific areas that are being addressed include assessing the existing approval process and identifying and eliminating obstacles that create backlogs. In addition, staff has begun to review policies and procedures for consistency and develop performance measures for the Bureau's newly restructured Enforcement Program.

Funding

The Bureau is a special fund agency that receives no monies from the State's General Fund. The three funding sources for the Bureau are:

- The Private Postsecondary and Vocational Education Administration Fund (PPVEAF). Monies are derived from application fees, annual fees, reimbursements for site reviews and compliance inspections, and other miscellaneous fees. Monies appropriated from this fund are expended to process applications; approve, reapprove, and register institutions; conduct enforcement activities; and partially fund the activities related to the Student Tuition Recovery Fund.
- The Federal Trust Fund (FTF). Monies are derived from the performance contract with the United States Department of Veteran's Affairs. Monies are appropriated to process applications for approval, and to conduct site and compliance reviews of institutions enrolling students receiving veteran's education benefits.
- The Student Tuition Recovery Fund (STRF). Monies are derived from quarterly assessments of institutions. Monies are continuously appropriated to pay eligible student claims when a school closes, and also are appropriated to partially fund the Bureau's administrative expenses for billing and accounting for assessments, and processing claims from students.

The Bureau received and expended the following funds for fiscal year 2004-05:

- PPVEAF collected a total of \$5,351,000 and expended \$5,827,000. The PPVEAF reserve funded the difference.
- FTF expended \$1,116,000 of the \$1,192,904 appropriated for expenditure under the Bureau's contract with the U.S. Department of Veterans Affairs.
- STRF received a total of \$4,040,000 and expended \$6,090,000, of which \$5,985,000 was for payment of student claims. The shortage was covered by the PPVEAF fund reserve.

Partnerships

The Bureau is also making strides to improve partnerships both internally and externally. In its Strategic Plan, the Bureau identified that establishing partnerships with accrediting, state and federal agencies is critical to improving consumer protection and student rights. To this end, the Bureau began working with accrediting agencies by participating in joint site reviews of educational institutions and developed a master list of national conferences and association meetings to attend in order to network with key stakeholder organizations such as the California Association of Private Postsecondary Schools (CAPPS).

Through the evaluation of oversight by other state regulatory agencies, the Bureau hopes to reduce overlap and improve the Bureau's effectiveness, focusing on the most critical areas that are not being covered by any other agency.

Other partnerships include working closely with industry representatives and developing a system to continually assess industry satisfaction with the Bureau's institution approval process.

Bureau Programs and Workload

The Reform Act requires that the Bureau conduct a qualitative review and assessment of each institution and all of its degree, non-degree and registered educational programs.

If the Bureau determines that an institution's operational plan is satisfactory and the institution demonstrates that it meets the minimum standards as outlined in the Reform Act, then the Bureau grants a "temporary approval" for degree and non-degree institutions. Once a temporary approval is issued, the institution may commence operations and enroll students. After students are enrolled and instruction begins, the Bureau must conduct an on-site review of the institution to determine whether it is operating in compliance with the minimum standards for educational quality that are set forth in the Reform Act.

The Bureau was confronted with several challenges during the 2004-05 fiscal year due to a decrease in staffing resources, declining revenues, and STRF imbalances. Currently, the Bureau is authorized 60.6 positions compared to 71.1 positions in 2001-02. Although impacted by staff reductions over the last several years, the Bureau is working to reduce application backlogs by streamlining review procedures. Additionally, the Private Postsecondary and Vocational Education Fund revenue dropped to a level that would not support operations through the end of the year. To address this shortage, the Bureau implemented an aggressive fee collection effort that focused on all institutions that had previously failed to pay their annual fees and late penalties for several years. This effort was successful in generating approximately \$275,000, and contributed to the Bureau ending the year in the "black." Additionally, the Bureau restricted travel and reduced other operational expenses.

Degree Institutions

The Bureau is responsible for oversight of most private postsecondary educational institutions that award an academic or honorary degree. The Bureau must review and approve each degree program offered to ensure that the degrees awarded by a private institution are equivalent to degrees awarded by other private and public institutions. The review is multifaceted and comprehensive. In addition to the review of curricula, it covers the overall facilities, financial resources of the school, administrative capabilities and faculty qualifications. The evaluation includes the review of a paper application and significant supporting documentation, and the completion of a site visit by Bureau staff and external subject matter experts in each of the disciplines being offered.

Once a school is fully approved (up to five years), laws and procedures are in place to ensure that the quality of the programs and facilities are maintained. This occurs through a streamlined re-approval process focusing on changes made since the institution's last approval. In addition, other institutional changes, such as a change of ownership or change of location, require submittal of an application and an expedited review by the Bureau to ensure a seamless transition for the institution and its students.

The Bureau's Degree Program oversees 316 main locations of approved degree schools. In fiscal year 2004-05, the Bureau received 381 applications from degree institutions, and issued 312 approvals. (Schools are required to submit applications for a variety of reasons such as changes to their programs, location, and owner(s); therefore, the number of applications received in any fiscal year is greater than the number of institutions.) At the end of the fiscal year, there were 69 applications pending. The average initial application processing time is 31 days.

WASC and Non-WASC Regionally Accredited Institutions

Prior to January 1, 2004 for-profit institutions accredited by the Western Association of Schools and Colleges (WASC) were exempt from the Reform Act and Bureau oversight if the institution exclusively offered degree programs of two or more years in length. SB 967 (Chapter 340, Statutes of 2003) expanded the exemption to include all for-profit schools accredited by WASC, including schools that offer a mix of degree and vocational programs.

In addition, the law changed the Bureau's regulatory role for institutions accredited by five (non-WASC) regional accrediting agencies, located in various parts of the country. SB 967 now exempts these non-WASC regionally accredited institutions from most of the Reform Act, but still requires them to be approved by the Bureau based on a minimal number of requirements largely based on the institution's financial stability and accreditation status. Consequently, SB 967 requires the Bureau to approve these schools, but exempts them from providing protections for students such as enrollment and refund policies, disclosures regarding exam passage rates, transferability of credit, complaint investigation and mediation, and other disclosures that institutions are required to provide.

As a result, non-WASC regionally accredited institutions are exempt but get to call themselves "Bureau approved," whereas WASC schools are only exempt.

In addition, a non-WASC regionally accredited institution already approved by the Bureau is only required to provide written notification of any program changes, with no review or investigation provided by the Bureau.

As a result, consumers may be confused about the extent of the Bureau's jurisdiction over these schools, since newer programs do not require Bureau approval and because the institutional approval is not a substantive one based on the educational quality requirements of the Reform Act, as is done with all other Bureau approved institutions.

The Reform Act should either completely exempt institutions from the Bureau's jurisdiction -- especially where overlapping and redundant regulation exists with another government agency or accrediting body -- or subject institutions to Bureau approval and ongoing oversight, but not both, as has been done for non-WASC regionally accredited institutions.

There are 33 non-WASC regionally accredited institutions, with 66 branch campuses, operating in California. In fiscal year 2004-05, the Bureau received 6 requests for initial approval from non-WASC regionally accredited institutions; 8 renewals to operate; 36 additional branches and satellite locations; and 14 notifications regarding additional degree, diploma or certificate programs.

In addition, the Bureau received ten consumer complaints involving non-WASC regionally accredited institutions, all of which were forwarded to the appropriate accreditation body. Although the Bureau is allowed to review these complaints, it has limited enforcement capabilities over these schools due to their exemption from the minimum educational quality standards established in the Reform Act. The Reform Act clearly limits the Bureau's ability to discipline a non-WASC regionally accredited institution only to cases where the school has lost either its accreditation or federal financial aid eligibility.

Non-Degree (Vocational) Institutions

The Bureau is also responsible for approval (up to four years) and oversight of private institutions that offer non-degree or vocational programs. The approval process is similar to that outlined above for degree schools, except that a single Bureau employee is responsible for conducting the required site visit of the school. Instead of having external subject matter experts responsible for reviewing a non-degree school's programs, the Bureau relies on letters of support from potential employers of graduates from the school.

The Bureau's Non-Degree Program oversees 1,211 main locations of vocational private postsecondary institutions. In fiscal year 2004-05, the Bureau processed 1,282 non-degree applications. At the end of the fiscal year, there were 368 applications pending. The average processing time for an initial approval is 81 days. Although impacted by staff reductions, the program has been successful in reducing application backlogs.

The Non-Degree Program also saw 61% of all students attending Bureau approved schools completing the course of instruction and 51% of those graduates placed in a job.

Certificates of Authorization

An institution that offers non-degree programs must ensure that each instructor and administrator employed by the school has been issued a certificate of authorization (COA) by the Bureau. Certificates for instructors, assistant directors, financial aid directors and officers are valid for three years. Certificates for directors do not expire.

During fiscal year 2004-05, the Bureau received 6,058 applications, and processed 5,244 certificates with an average processing time of 35 days. There are 19,565 active certificates.

Agency and Agent Permits

Many schools hire agents to help them market and recruit students to their particular school. The Reform Act requires that all recruitment agencies and agents have a permit issued by the Bureau. Agencies are required to post a \$250,000 surety bond, and individual agents are required to post a \$25,000 surety bond. An agent must maintain a separate permit and bond for each institution represented. A permit is valid for one calendar year.

In fiscal year 2004-05, the Bureau received 1,502 applications and processed 1,364 permits with an average processing time of 23 days. At the end of fiscal year 2004-05, there were 1,930 active agent permits and no active agency permits.

Registered Institutions

The Bureau also oversees a category of institutions offering five types of short-term educational programs to consumers. The five educational services requiring registration with the Bureau are: intensive English language programs; short-term career training; short-term seminar training; license and exam preparation; and continuing education.

One key difference from the approval process used for degree and non-degree institutions is that the Bureau is not required to conduct a site visit before issuing a registration for registered programs, but may conduct one where warranted. The Reform Act establishes a minimal set of requirements for each of the five programs, such as limitations on the number of hours of instruction and cost of tuition.

The passage of SB 1544 had an impact on schools exclusively offering classes for \$500 or less. Among its provisions, the new law repealed the definition of “short-term seminar training,” but did not remove the term from the list of educational services requiring registration under California Education Code (CEC) section 94931(c). In its place, SB 1544 established a new “short-term education program,” but did not include this term in the list under CEC section 94931(c). This drafting error has made it difficult for the Bureau to regulate these programs. In response, the Bureau sent draft regulations to the Office of Administrative Law to resolve these inconsistencies.

The Bureau oversees approximately 509 registered institutions throughout California. In fiscal year 2004-05, the Bureau received 155 registered applications and processed 103 registrations with an average processing time of 64 days.

Religious Exempt Institutions

The Reform Act exempts any nonprofit institution owned, controlled, operated, and maintained by a bona fide church, religious denomination or religious organization. The education offered by the institution is limited to instruction in the principles of that church, religious denomination, or religious organization, and the diploma or degree conferred by the institution is limited to evidence of completion of that education.

Institutions that are exempt can offer degrees and diplomas only in the beliefs and practices of the church. They cannot award degrees in any area of physical science or in any secular areas of study. Religious institutions that wish to be exempt from the Reform Act must provide, each year, evidence demonstrating that they qualify for exemption.

In fiscal year 2004-05, there were 250 religious schools that had qualified for exemption. The Bureau received 381 applications and approved 160 exemption requests.

Title 38 (Montgomery G.I. Bill)

The Bureau is also the California State Approving Agency (CA/SAA) for veterans and their dependants receiving education and training under the Montgomery G.I. Bill. As such, it has responsibility for approving and supervising federally assisted educational programs for veterans and their dependents; eligible members of the National Guard; and other qualified members of the Army, Navy, Air Force, Marine Corps, Coast Guard, and the Air National Guard. Based on federal reporting for the 2004-05 program year, the Bureau in its CA/SAA role has been responsible for overseeing 976 institutions approved for California veterans and their dependants, with an estimated enrollment of over 90,000 at any given point in time.

Veterans' institutions in California, both public and private, offer training in virtually every demand market occupation. Unlike other Bureau units, the CA/SAA institutions also include the California University, State University, and community college systems. The Bureau (as the CA/SAA) also plays a critical role in conducting outreach to attract new schools in line with student and labor market needs, and staff provides ongoing training and technical assistance subsequent to the completion of the application phase.

The Bureau also approved over 13,000 new veterans programs and courses in the last completed federal fiscal year, exceeding all contracted goals in conducting school reviews and providing services necessary to ensure compliance with federal instructional and administrative guidelines. Contract goals include quantitative standards for program approvals; new school applications; school site visits; outreach (including presentation briefings at conferences and events); technical assistance; and staff development.

Special attention was spent this past year in enhancing communication with both the federal Department of Veterans Affairs and the National Association of State Approving Agencies. The Bureau's presence this past year at both in-state and out-of-state meetings of these organizations has greatly expanded departmental capacity not only for ongoing communication, but also for influence on national planning strategies. The Bureau looks forward to continued success in working with a variety of CA/SAA customers: the federal Department of Veterans Affairs; the National Association of State Approving Agencies; and California veterans as well as the educational institutions that serve them.

Complaint Mediation

The Bureau has always lacked the resources necessary to formally conduct field investigations for every consumer complaint filed against an institution. Therefore, the Bureau has implemented a six-month pilot to provide more timely and substantive assistance to students when complaints arise and are brought to the Bureau's attention. The pilot involves outsourcing this workload to a centralized complaint mediation unit within DCA. The complaint mediation process represents a form of dispute resolution, and often requires a thorough review of the information presented by the student and the institution to determine whether the student's allegations have merit.

The complaint mediation process attempts to resolve complaints by having staff communicate directly via telephone with the student/complainant and the school that is the subject of the complaint. In cases where there is a pattern of complaints against a school, a pattern of non-compliance with Bureau laws and regulations, or serious allegations involving health and safety or fraud, the Bureau will resort to full investigative techniques through its Enforcement Program.

The complaint mediation pilot project has allowed the Bureau to focus its resources on completing applications for compliant schools and working on critical investigations for schools that have demonstrated a pattern of noncompliance.

In addition, the Bureau developed draft regulations regarding its complaint handling procedures, based on public input received from posting the regulations on its Web site in January 2005. As part of this process, the Bureau also surveyed other state private postsecondary regulatory agencies to retrieve sample procedures and forms. A final draft of the regulations and public notice was filed with the Office of Administrative Law on January 6, 2006.

In fiscal year 2004-05, the Bureau processed 1,096 consumer complaints that had been filed against institutions, 50% of which related to contractual issues and another 25% of which related to fraud. At the end of the fiscal year, there were 223 complaints pending.

Enforcement

A key function of any regulatory program is the enforcement of its laws and regulations. The purpose of regulating the private postsecondary educational sector is to protect students, employers and the general public. This market is also regulated to ensure that degrees and certificates awarded by a private institution are equivalent to degrees and certificates awarded by other private and public institutions.

Generally, there are three main purposes to regulating the private postsecondary educational sector:

- To ensure that educational outcomes promised to students by Bureau-approved institutions are achieved;

- To ensure that students educated by approved institutions, who enter the labor market, have learned the job skills that employers need and expect from students; and
- To ensure that students who are awarded degrees and certificates meet specific minimum standards established by other regulatory agencies.

Pursuant to the Reform Act, the Bureau may initiate an administrative, civil, and/or criminal action when there is evidence that the institution has violated the act or any Bureau regulations. Although the Bureau may initiate an investigation, success is contingent on a strong working relationship with the local municipalities, district attorney's offices and law enforcement agencies. Institutions may request a hearing to appeal the Bureau's administrative action. If the institution requests a hearing, the hearing may be heard by an administrative law judge employed by the Office of Administrative Hearings or by the Bureau.

At the conclusion of the hearing, the administrative law judge or hearing officer must prepare a formal decision and proposed order of decision. The proposed decision and order are reviewed by Bureau management and then reviewed for possible adoption by the Director of the Department of Consumer Affairs.

Even while being restructured last year, the Bureau's Enforcement Program continued the work of investigating problem schools. In fiscal year 2004-05, the Bureau initiated 24 enforcement cases; 12 cases were closed within the same time period and 12 were sent to the Attorney General's Office for representation on cases involving such allegations as misrepresentations to prospective students, false statements to the Bureau and failure to provide quality education.

In addition, the Bureau completed 240 site inspections of individual institutions to ascertain their compliance with the law.

The Bureau significantly strengthened its working relationship with the DCA's Division of Investigation and local district attorney's offices in an effort to reduce unlicensed activity. The DCA's Division of Investigation is currently assisting the Bureau in conducting further investigations of unlicensed activity and working with the appropriate district attorney's offices to take action against those business entities that fail to comply.

School Annual Reports

The Reform Act requires that degree and non-degree institutions regulated by the Bureau annually file a report. The annual reporting requirement does not apply to registered, religious exempt or Title 38 approved schools.

The purpose of this reporting requirement is to provide the Bureau with the following information:

- Student population information;
- Number and types of degrees and diplomas awarded;
- Financial information demonstrating the institution's compliance with statutory requirements;
- Program enrollment, completion and placement data;
- Regular compliance reports from institutions on probation or operating under a conditional approval; and
- Statistical information regarding the private postsecondary market to be used in the Bureau's annual report to the Legislature.

The Annual Report that was due in fiscal year 2004-05 produced the following aggregate data for Bureau regulated private postsecondary institutions:

- 403,830 total students
 - ✓ 138,441 degree
 - ✓ 265,389 non-degree
- 191,646 total number of degrees and diplomas awarded
 - ✓ 31,397 degree
 - ✓ 160,249 non-degree
- Completion rate for students
 - ✓ 32% degree
 - ✓ 61% non-degree
- Placement rate for students
 - ✓ 23% degree
 - ✓ 51% non-degree

Student Tuition Recovery Fund (STRF)

STRF was established in the Reform Act to relieve and mitigate pecuniary losses suffered by any California resident who is a student of an institution holding an approval. Students are entitled to file a claim against STRF if they prepaid tuition and suffered a financial loss due to the institution closing, or they did not receive the quality or value of the education they were entitled to receive.

The Bureau received 523 STRF claims in fiscal year 2004-05. The Bureau also processed 678 claims, some of which were received in the prior fiscal year, representing approximately \$6 million in monies returned to students affected by a school closure.

All monies deposited into STRF are derived from quarterly assessments of institutions collecting a STRF fee from their students. The amount of the STRF fee is \$2.50 for every \$1,000 of tuition paid by enrolled students. To be eligible for STRF, the student must be a California resident and not have had his or her tuition paid by a third party such as through a vocational rehabilitation program.

Monies collected from the STRF assessment are deposited into three separate STRF accounts based on the type of institution in which the student is enrolled (degree, non-degree, and registered.) The degree and non-degree accounts have a statutorily established limit of \$1.5 million and \$4.5 million, respectively.

The current assessment methodology does not appear to generate sufficient revenues to pay all the STRF claims received by the Bureau. The estimated annual STRF revenues were \$4,040,000 for fiscal year 2004-05. The difference was funded from the PPVEAF. The Bureau is exploring all options to help stabilize STRF and enable timely processing of eligible student claims.

School Closures

Most closures are orderly, in that the school waits until the students complete their programs before the institution closes, therefore minimizing any negative impacts to the students.

However, some institutions close without warning and the Bureau's intervention and resource requirements become extensive. In these cases, typically the Bureau hears about the closure through the students and all efforts become reactive rather than proactive. Even in these situations, the Bureau is able to provide assistance to the students with the preferable solution being teach-outs or transfers to nearby institutions.

The law requires any school that closes to maintain its student records (5 years for a vocational school and 50 years for a degree granting school.) However, when a school does not comply with the law, the Bureau ends up becoming the repository of these records. The Bureau takes on this responsibility to ensure that the students have access to their transcripts. In 2001, two large degree schools closed and the Bureau spent most of 2004 organizing these records for future student requests.

Last fiscal year, the Bureau handled 117 school closures, representing approximately 12% of all regulated private postsecondary institutions.

Appendix

Bureau for Private Postsecondary and Vocational Education Advisory Committee (as of January 2006)

George “Jay” Achenbach

Elena Ackel

Tom Gilmore

Mitchell Fuerst

Norma Ford

Pastor Herrera, Jr.

Dr. Lolly Horn

Dr. Betty Sundberg

Salvador Velasquez